



Rural Dynamics, Inc.
HELPING PEOPLE ACHIEVE FINANCIAL SECURITY

EXHIBIT 2 4

DATE 3-27-13

HB 595

We help people achieve financial security and pursue economic opportunities.

The Impact of Creating a Tax Credit for Contributions to Individual Development Accounts in Oregon

HB 595: Creating a tax credit for contributions to individual development accounts (IDA) is modeled after Oregon's HB 3600. Enacted in 1999 with strong bipartisan support, the bill has proven its effectiveness in the state over the past 13 years. Oregon's HB 3600 created a 25% tax credit for charitable contributions to IDA accounts, but a bill in 2001 raised the tax credit to 75%.

In 2012, Portland State University published a study tracking the impact of IDA program participation for all Oregon residents who opened an IDA between 2008 and 2011.¹ At the time of enrollment, 62% of participants relied on at least one form of means-tested government benefit. Though the study didn't track how many participants no longer used government benefits at the end of the program, this program could decrease government expenditures on means tested support programs significantly over the long term if even a small number of participants moved out of poverty.

Participation in IDA programs had a significant impact on the financial behavior of low income participants. Of the participants, 65% graduated from the program by meeting their savings goal and purchasing an asset. An earlier study, the American Dream Demonstration, noted that 70% of graduates met their savings goal by shopping more carefully or spending less on leisure activities.

How many IDA graduates...	Before the Program	After the Program
frequently make deposits in a savings account?	18%	67%
use a budget to monitor spending?	30%	73%
always pay bills on time?	56%	75%

Even participants who do not meet their savings goal can benefit from IDA programs. Thirty five percent of participants in the Oregon study did not meet their savings goal for various reasons, and did not receive any matching funds. Still, sixty two percent of non-graduates said they found financial management classes very helpful, and sixty seven percent said that being required to make regular savings deposits helped them develop better saving habits. Forty percent said that participating in the IDA program would have a major impact on how they handled their money, even though they were not able to meet their savings goal.

"Now that we've seen the fruit of saving, we are excited to continue those healthy habits in our monthly budget as well as teach our children how to save and spend wisely. That's a huge gift to give them, one I never received."

- One participant in the Oregon IDA Initiative Study.

¹ Yatchmenoff, D., 2012. "Oregon's Individual Development Account Initiative Building Assets and Increasing Financial Resilience." Portland State University.